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INFO AMCONSUL CALCUTTA

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AMCONSUL MADRAS

UNCLAS NEW DELHI 4472

E.O. 11652: N/A

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SUBJECT: SPECIAL TRADE AND INVESTMENT OPPORTUNITY: POTENTIAL FOR
JOINT VENTURES IN STEEL SECTOR

1. P. MATTHEN, WEAN UNITED'S (US) REP IN INDIA HAS REQUESTED EMBASSY'S ASSISTANCE IN ASCERTAINING U.S. STEEL MANUFACTURERS INTEREST IN ESTABLISHING EXPORT-ORIENTED JOINT VENTURES IN COLLABORATION WITH INDIAN PUBLIC SECTOR CORPORATIONS FOR THE PRODUCTION OF BILLETS/BLOOMS/SLABS/INGOTS. WEAN UNITED HAS COLLABORATION AGREEMENT WITH TWO INDIAN PUBLIC SECTOR CORPORATIONS, METALLURGICAL AND ENGINEERING CONSULTANTS INDIA LIMITED (MECON), STEEL CONSULTANTS TO MINISTRY OF STEEL AND ENGINEERING PROJECTS INDIA LIMITED (EPI), FOR THE PURCHASE OF US TECHNOLOGY AND ESSENTIAL EQUIPMENT FOR THE PROCESSING AND FINISHING LINES OF THE SECOND COLD ROLLING COMPLEX AT THE RUSSIAN-BUILT BOKARO STEEL PLANT.

2. IN COMPARING US AND INDIAN STEEL PRODUCTION COSTS COUPLED WITH INDIA'S ADDED ADVANTAGE OF ABUNDANT RAW MATERIALS SUCH AS IRON ORE AND MANGANESE,
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MATTHEN BELIEVES INDO-US JOINT VENTURES IN STEEL SECTOR COULD PROVE TO BE MUTUALLY BENEFICIAL. ACCORDING TO MECON IF HOME SELLING PRICES OF STEEL IN THE UNITED STATES ARE TAKEN AS MEASURE OF PRODUCTION COST THEN INDIAN STEEL COSTS WOULD PROBABLY BE 30-40 PERCENT CHEAPER THAN U.S. SUBJECT TO DETAILED STUDY MECON ENDORSES IDEA OF JOINT

VENTURES USING US CAPITAL AND LOCAL RESOURCES.

3. DURING 1976-77 (APRIL-MARCH), INDIA PRODUCED 9.4 MILLIONMETRIC TONS (MT) OF STEEL INGOT AND 6.9 MT OF FINISHED STEEL, OF WHICH 2.4 MILLION MT WERE EXPORTED. THE ANNUAL RATE OF CAPACITY UTILIZATION AVERAGED 92 PERCENT. IT IS EXPECTED THAT THERE WILL BE A SLIGHT IMPROVEMENT IN THIS PRODUCTION PATTERN DURING CURRENT YEAR. PLANS CALL FOR INCREASING INDIA'S DOMESTIC STEEL MAKING CAPACITY TO AROUND 15-16 MILLION MT IN THE NEXT FIVE YEARS. THE GOI'S BUDGET (IFY 1978-79) HAS SET ASIDE FUNDS OF RS. 5.67 BILLION (DOLS 701 MILLION) FOR THE ONGOING EXPANSION PROGRAM OF THE PUBLIC SECTOR STEEL PLANTS. THIS COMPARES FAVORABLY WITH THE FUNDS OF RS. 3.9 BILLION (DOLS 487 MILLION) ALLOCATED DURING THE PREVIOUS YEAR'S BUDGET.

4. WHILE MAIN FOCUS OF INDIA'S STEEL POLICY IS THE EXPANSION OF EXISTING PLANTS OF BHILAI AND BOKARO, GOI IS STILL TOYING WITH IDEA OF ESTABLISHING PORT-BASED EXPORT ORIENTED PLANTS. THE LATTER WILL DEPEND ON AVAILABILITY OF EXTERNAL FINANCING AS WELL EXPORT MARKET. ACCORDING TO STEEL MINISTER PATNAIK, SOVIETS HAVE AGREED IN PRINCIPLE TO SET UP A BLAST FURNACE AT VISAKHATPATNAM TO EXPORT PIG IRON TO THE SOVIET UNION. HOWEVER, IT REMAINS QUESTIONABLE WHETHER GOI WILL SEEK TO DEVELOP

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ANY NEW PLANTS IN VIEW OF CURRENT EXPANSION PROGRAMS OF EXISTING FACILITIES. NEVERTHELESS, THE OPPORTUNITY FOR EXPORT OF BILLETS/BLOOMS/SLABS AND/OR INGOTS WOULD APPEAR TO BE PROMISING.

5. ACTION REQUESTED: USDOC IS REQUESTED TO CONTACT U.S. STEEL COMPANIES INTERESTED IN THE PROPOSAL OUTLINED ABOVE. INTERESTED COMPANIES SHOULD BE ADVISED TO COMMUNICATE DIRECTLY WITH P. MATTHEN, C-1/42 SAFDARJUNG ENCLAVE, NEW DELHI 110016, PHONE 669483. SHOULD US FIRMS BE INTERESTED IN DISCUSSING THIS OPPORTUNITY, MATTHEN IS WILLING TO VISIT THE UNITED STATES.

6. EMBASSY WOULD APPRECIATE RECEIVING A LIST OF U.S. FIRMS ALERTED.
GOHEEN

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